

Bringing Fairness to Public Employee Health Benefits Plans

Gov Christie Wants to Align Public Plans with Private Sector

Governor Christie wants to seriously reform the public employee health benefit system by bringing them in line with private sector levels. Right now, the health benefits system in New Jersey consumes 8% of the budget and by 2024 it is projected to be 14% as a result of generous plan coverage and employee contribution levels.

- **New Jersey's public-sector health benefits are the third-costliest in the nation.** These costs, projected to increase from \$3.1 billion in FY2015 to \$3.3 billion for FY2016 for State-paid groups alone, place a significant drag on the State budget, and have done so for decades.
- **The average New Jersey public employee is enrolled in a health plan that pays approximately 95% of the cost of essential benefits whereas large private sector employers typically offer plans covering 80% of the costs.** The average New Jersey public employee is enrolled in a health plan that pays approximately 95% of the cost of essential benefits, with an average employee contribution of 18% of premium costs. In contrast, large private sector employers typically offer plans covering 80% of the costs of essential benefits—equivalent to a "Gold" plan under the ACA—toward which employees typically contribute 25% of premium costs.
- **Over 80% Of Participants Are Enrolled In What Would Be Considered "Platinum" Plans Under Obamacare Exchanges.** "For example, as shown on the chart on page 26 comparing terms of various plans, over 80% of participants in the State Health Programs are enrolled in the NJDirect 10 and NJDirect 15 plans. These plans provide benefits which approach, and in some ways exceed, the 'Platinum' plans available through the exchanges under the Affordable Care Act ('ACA'). The inevitable result of this misalignment of incentives is very high costs to the State."

Aligning Public Employee Health Plans With Everyone Else:

Reforming the system to look more like health benefit plans offered to employees in other industries will provide substantial long-term cost savings and make it possible to fund key priorities.

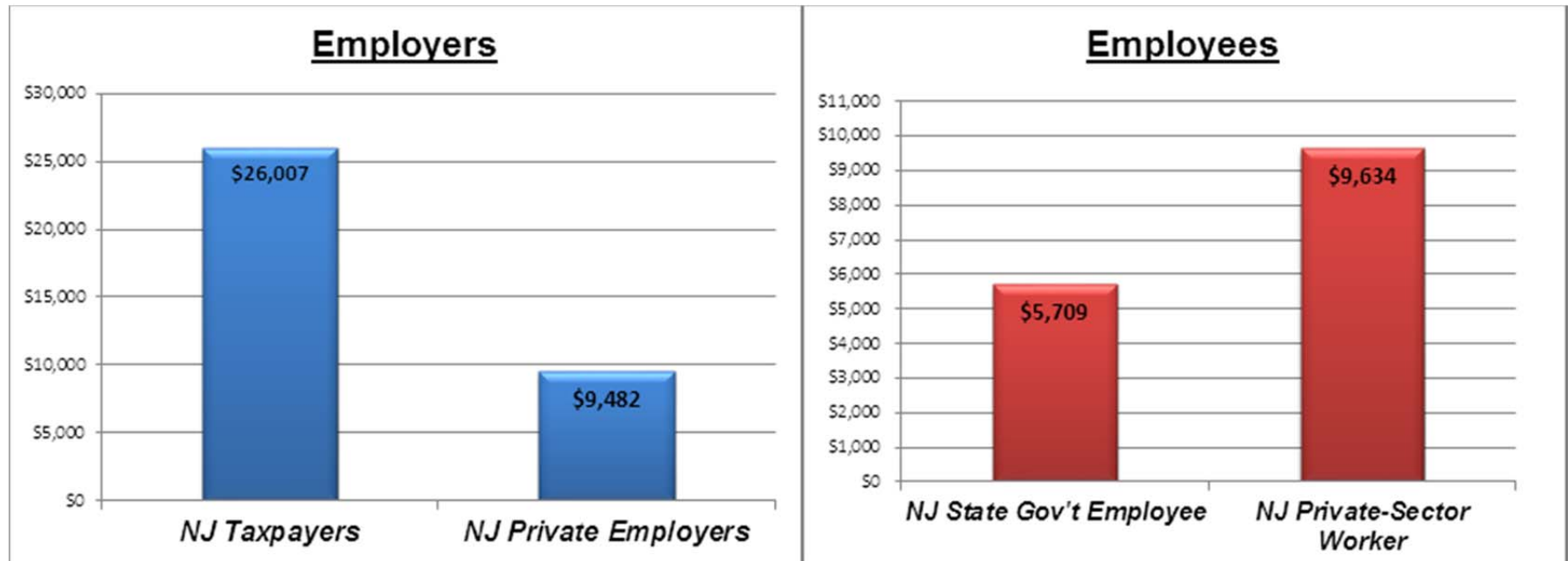
- **A Groundbreaking Roadmap To Work With The Teachers' Union To Find Real Health Benefit Savings.** As part of an initial roadmap to reform, the New Jersey Education Association (NJEA) has agreed to pursue changes to decrease health care costs for its members. These efforts are intended to reduce costs, to a level more comparable to employee benefits in the private-sector while continuing to provide a high level of care.
- **Align Public Employee Retirement And Health Benefits With Private Sector Levels.** New Jersey's public-sector health benefits are the third-costliest in the nation. State-sponsored health plans have both much higher actuarial values as well as much lower employee contribution levels than typical plans provided by larger private-sector employers. The Commission recommends setting benchmarks for the actuarial values and contribution rates that correspond to private sector levels and creating new health plan options that meet those spending targets.

- By aligning benefits with the equivalent of a private-sector “Gold” plan under the Affordable Care Act, the state and municipalities can achieve substantial cost savings. These savings could then be used in securing pension funding.
- **Adopt A Unified State & Local Approach For Controlling Health Benefit Costs Through Local Government Buy In.** Annual contributions to the new pension and health benefits plan for active school employees will be paid for by the local school districts employing them. The adoption of this system would permit, in a manner cost-neutral to local government, use of benefits savings at the local level to help fund the pension gap.

Taxpayers Pay More To Support Public Employee Benefits And State Workers Contribute Less Than In The Private Sector:

The health insurance provided to New Jersey state employees is among the most generous coverage in the nation. Yet state employees contribute far less towards covering the cost of their health insurance than private-sector workers. At the same time, New Jersey taxpayers contribute far more towards covering the cost of health insurance for state government workers than the average private-sector employer pays to cover its employees.

Health Care Costs To New Jersey Taxpayers v. Private Employers **Health Care Costs Are More Expensive For Private Sector Employees**



*NJ health costs based on average annual premium for New Jersey Direct & Freedom 15 family plan with age 62 primary and 18% average employee contribution for family plans. NJ private employer costs based on average family plan cost and average employer contribution toward dependent coverage costs reported by respondents to NJBIA 2014 Health Benefits Survey.

Cementing The Gains Made In 2011:

In 2011, Governor Christie signed historic, bipartisan pension and health benefit reforms that brought necessary change to the public sector including:

- **Cost Sharing Reforms for Active Employees.** Created a statutorily-established percent of premium (“premium share”), instead of a percentage of salary,

for all State Health Benefits Plan (SHBP)/School Employee Health Benefits Plan (SEHBP) and non-SHBP/SEHBP participating plans.

- **Joint Employer and Employee Plan Design Committees.** Established a state-level joint employee-employer Plan Design Committee responsible for providing plans with at least three levels of coverage, featuring varying levels out-of-pocket costs. The Committees have sole discretion to set the amounts for maximums, co-pays, deductibles, and other such participant costs for each plan.

